

Making Kentucky **STRONGER BY DEGREES**



**Presentation to Program Review and Investigations Committee
by Robert L. King, CPE President
June 13, 2013**

Where Does the Money Come From?

Major Sources of Higher Education Revenue

- Net Tuition and Fees
- State Appropriations ⁽¹⁾
- Gifts, Endowment Income, and Investment Returns
- Federal Appropriations, Government Grants and Contracts
- Hospital Sales and Services
- Auxiliary Enterprises ⁽²⁾, Independent Operations ⁽³⁾

⁽¹⁾ State Appropriations - For purposes of this analysis, state appropriations include local appropriations at the University of Kentucky and Ashland Community College that amount to less than 2% of the state and local appropriations total.

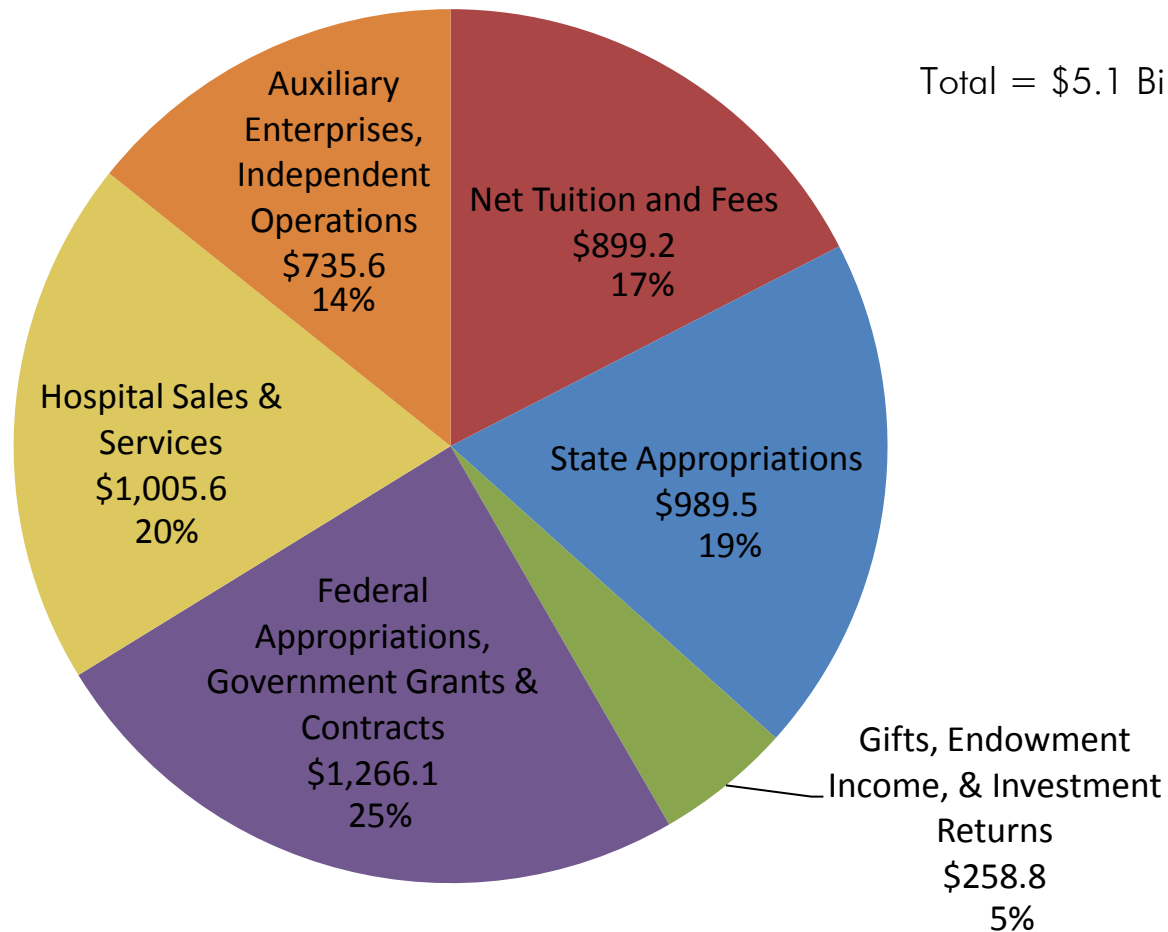
⁽²⁾ Auxiliary Enterprises - Revenue from auxiliary enterprise operations, including residence halls, food services, student health services, intercollegiate athletics, student unions, college stores, and student recreational facilities.

⁽³⁾ Independent Operations - Revenue associated with operations independent of the primary missions of the institution. Generally includes only those revenues associated with major federally funded research and development centers.

Kentucky Public Postsecondary System Distribution of Current Funds Revenue by Source Fiscal Year 2010-11

(Dollars in Millions)

Total = \$5.1 Billion



Source: National Center for Education Statistics, Integrated Postsecondary Education Data System.

Kentucky Public Postsecondary System
Inflation Adjusted Current Funds Revenue by Source
Fiscal Years 2005 and 2011

Constant 2011 Dollars (In Millions)

Revenue Category	2004-05	2010-11	Dollar Change	Percent Change
Net Tuition and Fees	\$596	\$899	\$303	51%
State Appropriations ⁽¹⁾⁽²⁾	\$1,113	\$990	(\$124)	-11%
Gifts, Endowment Income, & Investment Returns ⁽³⁾	\$150	\$259	\$109	73%
Federal Appropriations, Government Grants & Contracts	\$1,015	\$1,266	\$251	25%
Hospital Sales & Services	\$867	\$1,006	\$138	16%
Auxiliary Enterprises, Independent Operations	\$373	\$736	\$362	97%
Total Current Funds Revenue	\$4,114	\$5,155	\$1,041	25%

⁽¹⁾ Includes local appropriations of \$13.9 million in FY05 and \$18.3 million in FY11, representing less than 2% of the state and local appropriation total in each of those years.

⁽²⁾ In 2012-13, the enacted net General Fund was reduced to \$916 million.

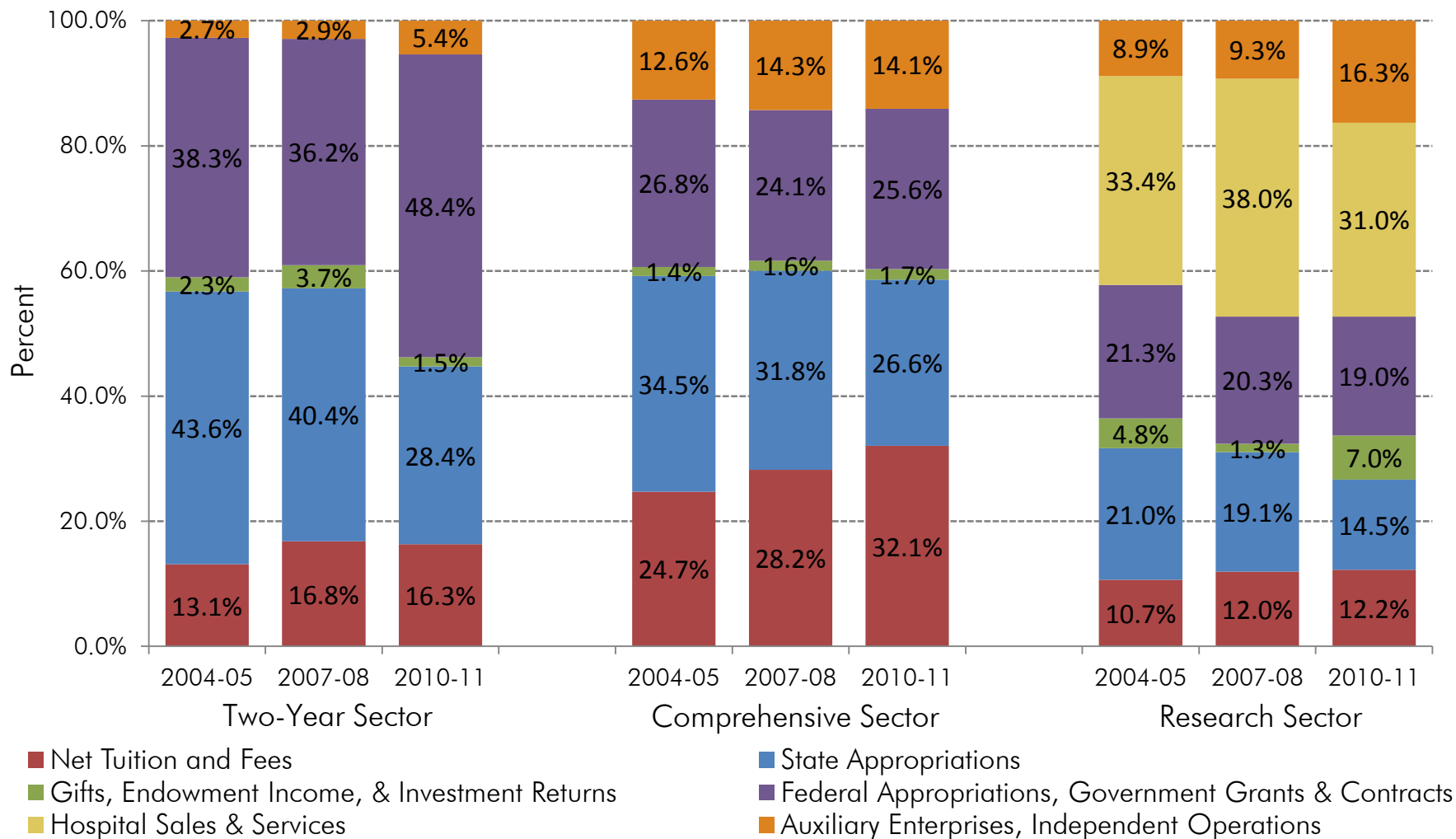
⁽³⁾ Includes contributions from affiliated organizations.

Source: National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS).

Kentucky Public Postsecondary Sectors

Distribution of Current Funds Revenue by Source

Fiscal Years 2005, 2008, and 2011



Source: Integrated Postsecondary Education Data System.

Where Does the Money Go?

Major Sources of Higher Education Expenditure

- Instruction
- Research
- Public Service ⁽¹⁾
- Academic Support ⁽²⁾
- Student Services ⁽³⁾
- Institutional Support ⁽⁴⁾
- Scholarships and Fellowships
- Auxiliary Enterprises
- Hospital Services

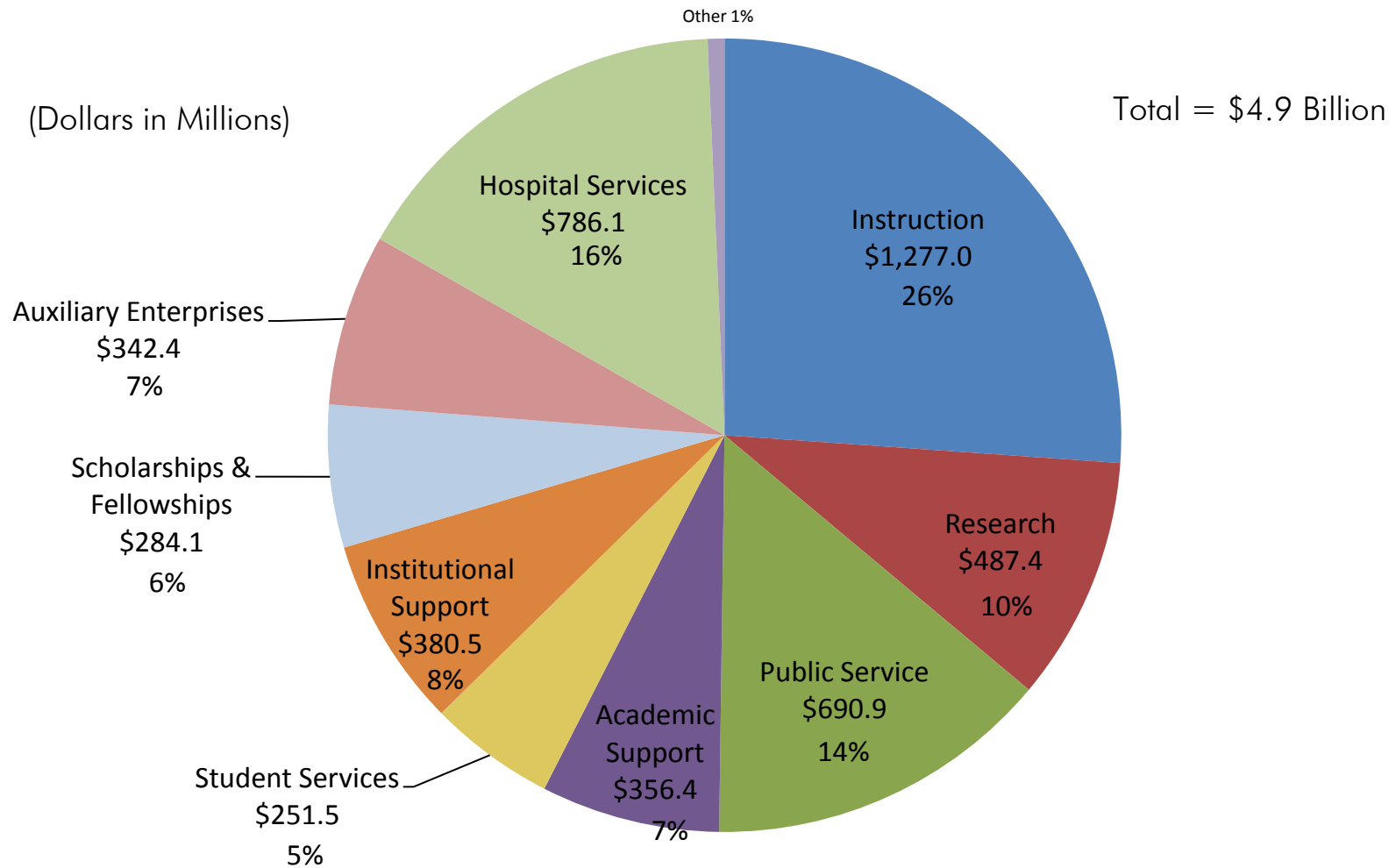
⁽¹⁾ Public Service – Includes land-grant extension services, Regional Stewardship, SB1 implementation, and economic development.

⁽²⁾ Academic Support – Activities and services that support instruction, research, and public service, including libraries, technology support services, computer labs, and academic administration.

⁽³⁾ Student Services – Admissions, registrar, and activities that contribute to student well-being, including extracurricular activities, student organizations, academic advising and counseling, tutoring centers, and student health and records.

⁽⁴⁾ Institutional Support – Day-to-day operational support, including general administrative services, central executive activities, legal and fiscal operations, space management, human resources, purchasing and printing, and public relations and development.

Kentucky Public Postsecondary System Distribution of Expenditures by Function Fiscal Year 2010-11



Source: National Center for Educational Statistics, Integrated Postsecondary Education Data System.

Kentucky Public Postsecondary System
Inflation Adjusted Expenditures by Function
Fiscal Years 2005 and 2011

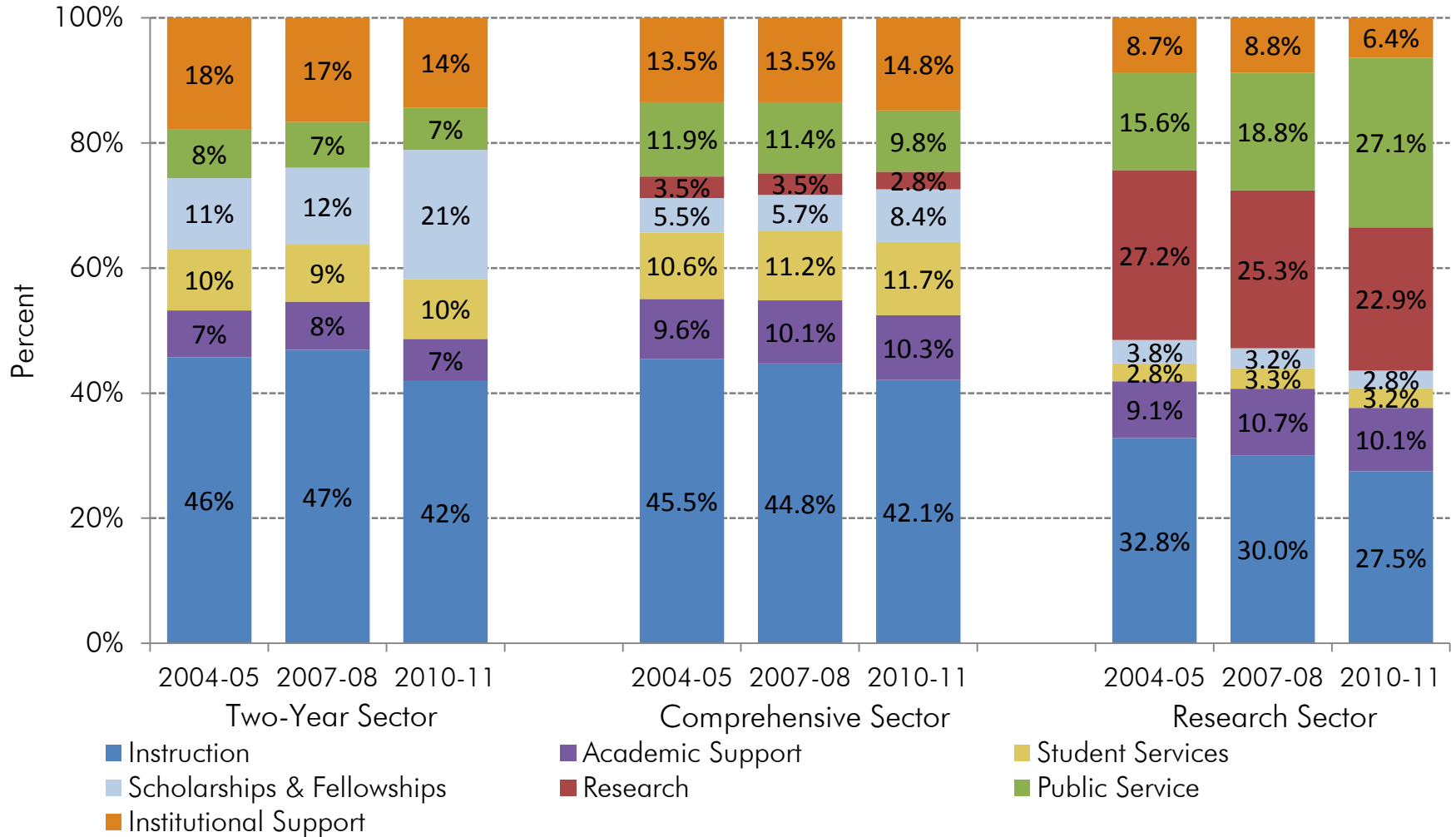
Constant 2011 Dollars (In Millions)

Expense Category	2004-05	2010-11	Dollar Change	Percent Change
Instruction	\$1,184	\$1,277	\$93	8%
Research	477	487	10	2%
Public Service ⁽¹⁾	404	691	287	71%
Academic Support	274	356	83	30%
Student Services	193	252	59	30%
Institutional Support	356	381	25	7%
Scholarships & Fellowships	169	284	115	68%
Auxiliary Enterprises	281	342	61	22%
Hospital Services	640	786	147	23%
Other Expenses	36	33	(3)	-8%
Total Expenditures	\$4,014	\$4,890	\$876	22%

⁽¹⁾ Public Service includes land-grant activities, Senate Bill 1 implementation, Regional Stewardship, and economic development.

Source: National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS).

Kentucky Public Postsecondary Sectors Distribution of E&G Expenses by Function Fiscal Years 2005, 2008, and 2011



Source: Integrated Postsecondary Education Data System (IPEDS).

Why Have Costs Gone Up?

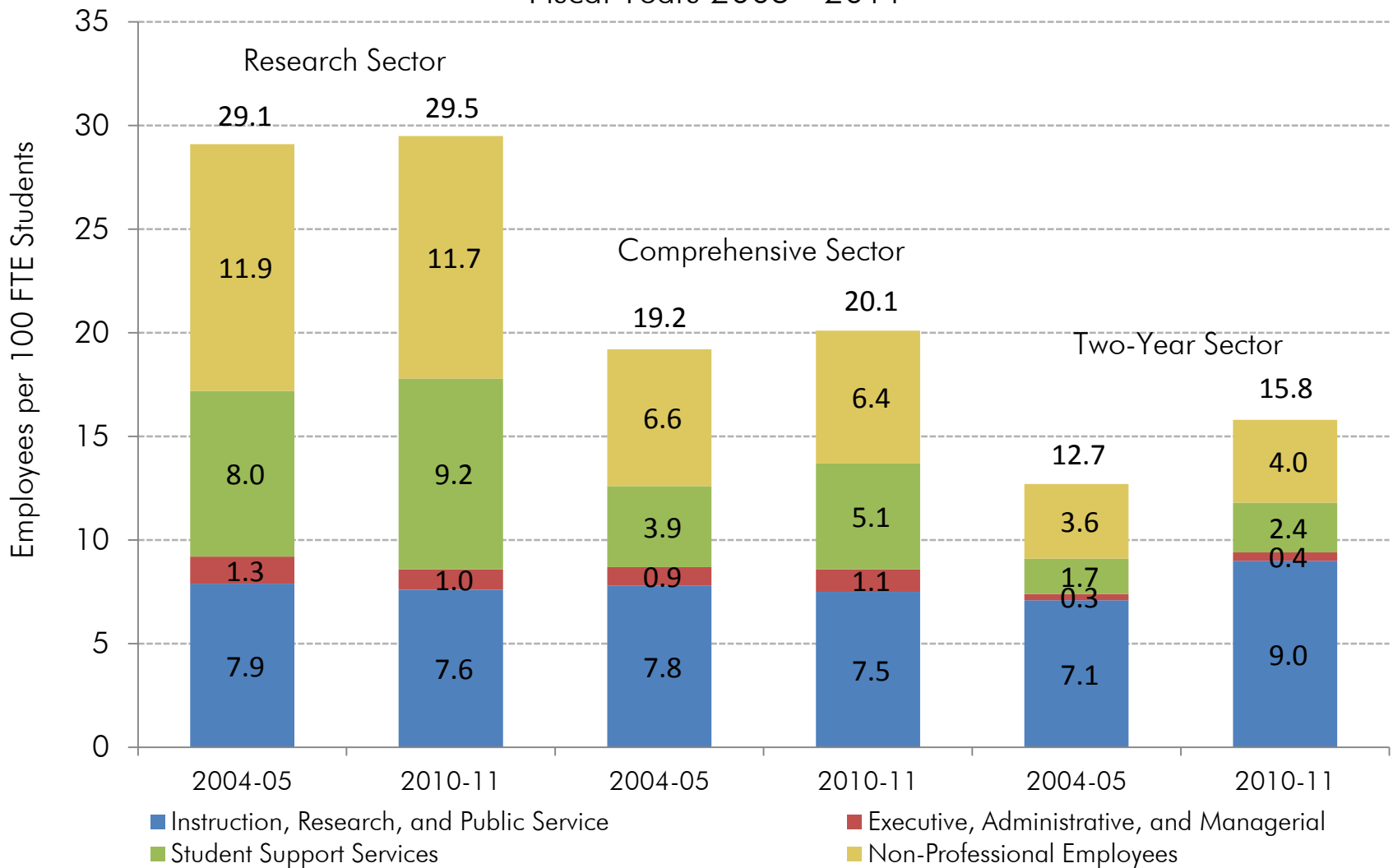
Major Sources of Higher Education Cost Increases

- Enrollment growth.
- Increased institutionally-funded student financial aid.
- Growth in mandated KERS and KTRS rates, mandated tuition waivers, and health insurance premiums.
- Increased energy and utilities costs.
- Shifting of responsibility for operating and maintaining new facilities to campuses.
- Investment in student retention and support services.
- Compliance costs associated with federal and state regulations and reporting requirements.
- Upgrading and maintaining the technological infrastructure.

Kentucky Public Postsecondary System

Employee Headcount by Occupational Category per 100 FTE Students

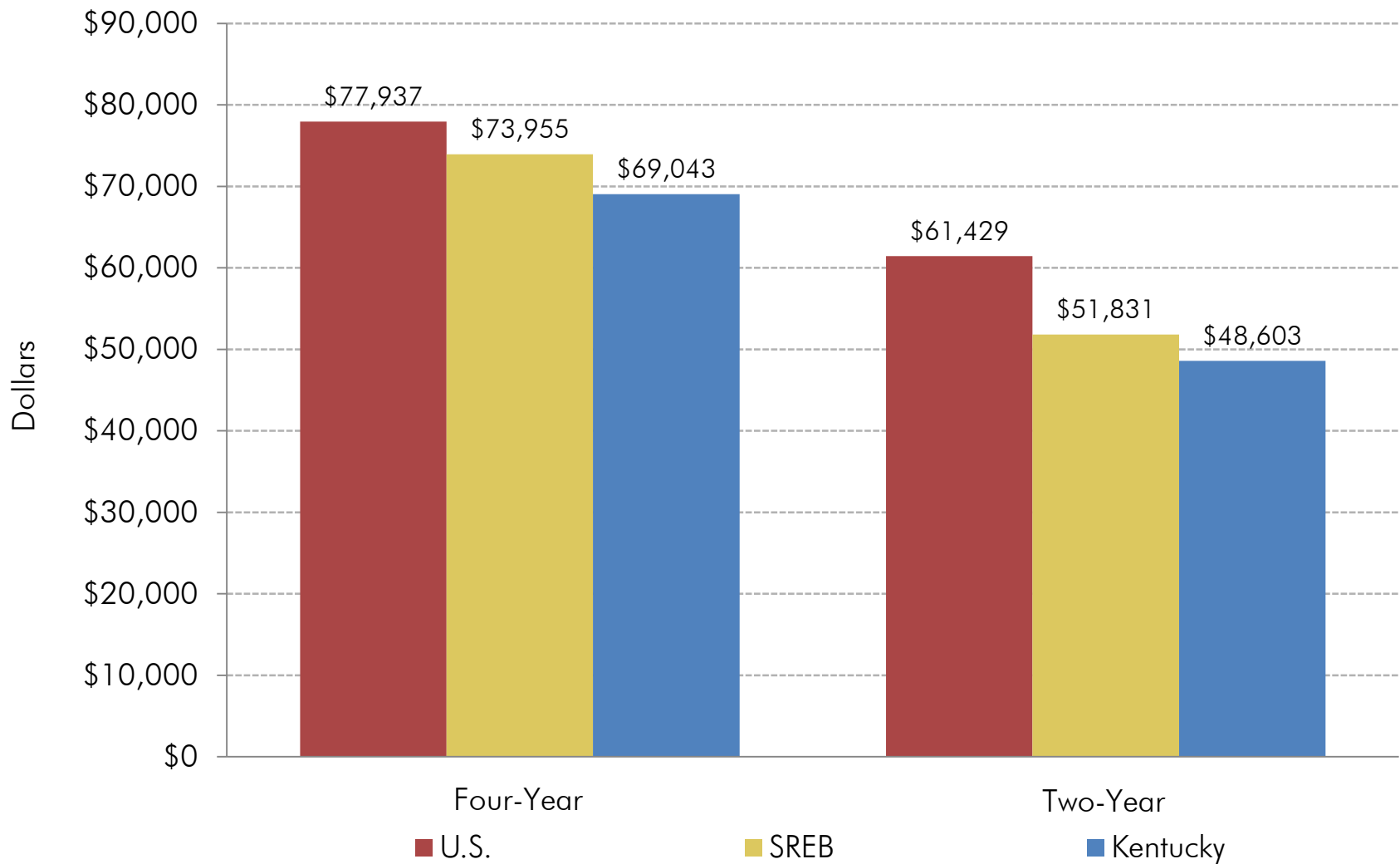
Fiscal Years 2005 - 2011



Source: National Center for Education Statistics, Integrated Postsecondary Data System.



Kentucky Public Four-Year and Two-Year College Sectors Average Salaries of Full-Time Instructional Faculty Fiscal Year 2011



Source: Southern Regional Education Board, 2012 Kentucky Progress Report.

Kentucky Public Postsecondary Institution Enacted Net General Fund Appropriations Fiscal Years 2008 and 2013

(Nominal Dollars in Millions)

<u>Institution</u>	<u>2007-08 Enacted Net General Fund</u>	<u>2012-13 Enacted Net General Fund</u>	<u>Dollar Change</u>	<u>Percent Change</u>
University of Kentucky	\$335 ⁽¹⁾	\$284	(\$51)	-15%
University of Louisville	169	141	(27)	-16%
Eastern Kentucky University	80	68	(12)	-15%
Kentucky State University	27	24	(4)	-14%
Morehead State University	48	41	(7)	-15%
Murray State University	56	48	(8)	-14%
Northern Kentucky University	55	47	(8)	-15%
Western Kentucky University	85	72	(13)	-15%
KCTCS	<u>229 ⁽²⁾</u>	<u>192</u>	<u>(37)</u>	-16%
System Total	\$1,084	\$916	(\$168)	-15%

⁽¹⁾ Includes \$2,000,000 special session appropriation for UK's Center for Applied Energy Research.

⁽²⁾ Includes \$2,373,800 reorganization transfer to KCTCS for Kentucky Board of Emergency Medical Services.

Source: Kentucky Budget of the Commonwealth.

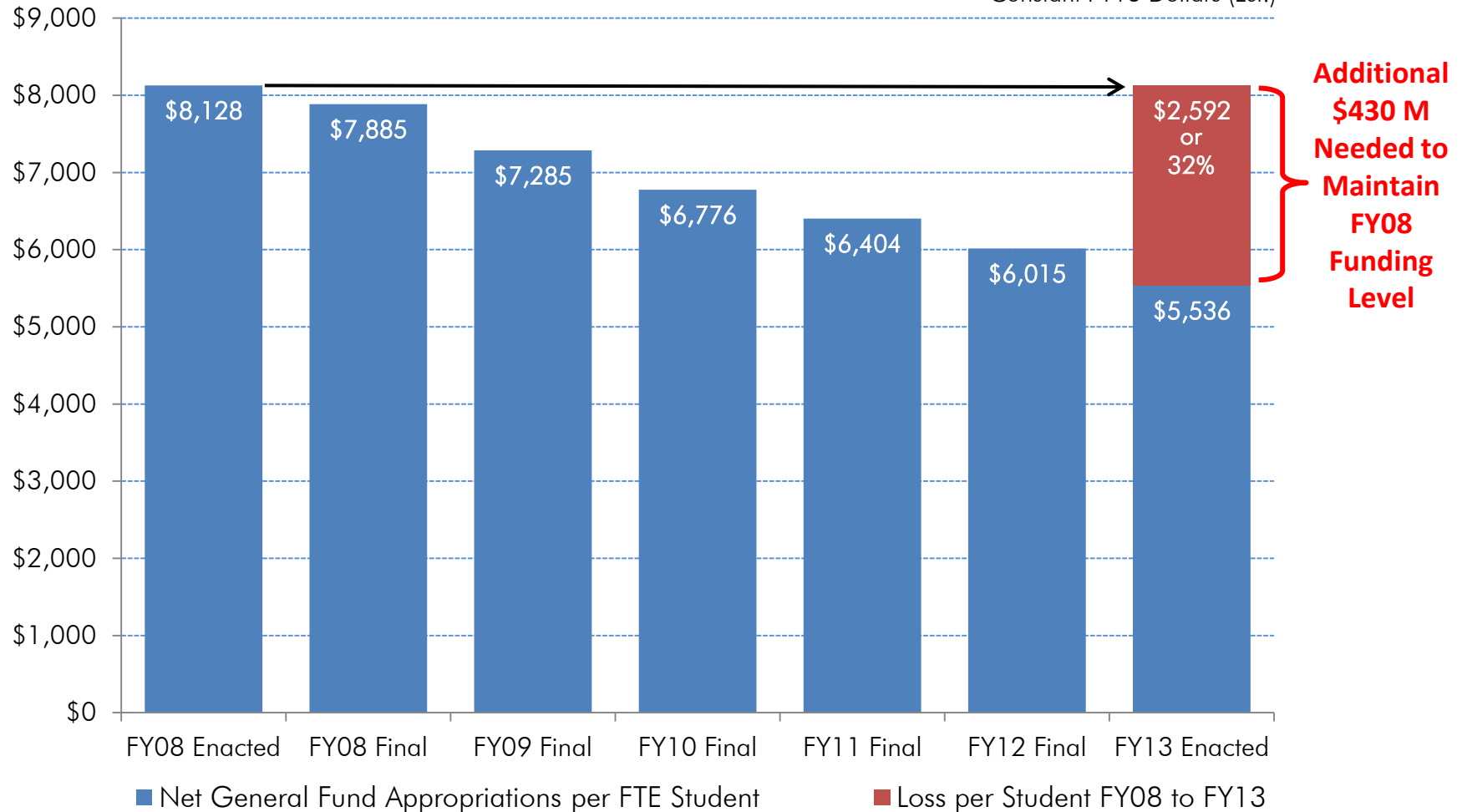
Kentucky Public Postsecondary System

Inflation Adjusted Net General Fund Appropriations per FTE Student

Fiscal Years 2008 - 2013

Dollars
(per Student)

Constant FY13 Dollars (Est.)



Sources: Kentucky Budget of the Commonwealth; CPE Comprehensive Database; Commonfund Institute, Higher Education Price Index (HEPI).

Assumptions: 2.0% enrollment growth; and 1.7% increase in inflation in FY13.

Kentucky Public Postsecondary Sectors and System

Average Yearly Increases in Resident Undergraduate Tuition and Fees

Academic Years 2002 - 2008 and 2008 - 2014

	6-Year AAGR 2002 - 2008	6-Year AAGR 2008 - 2014
Research Sector	10.6%	6.1%
Comprehensive Sector	12.9%	5.2%
Two-Year College Sector	15.5%	3.8%
Postsecondary System	12.4%	5.4%

**56% Decrease in Average
Yearly Increases FY08 - FY14**

AAGR - Average Annual Growth Rate.

Source: Council on Postsecondary Education, Comprehensive Database.

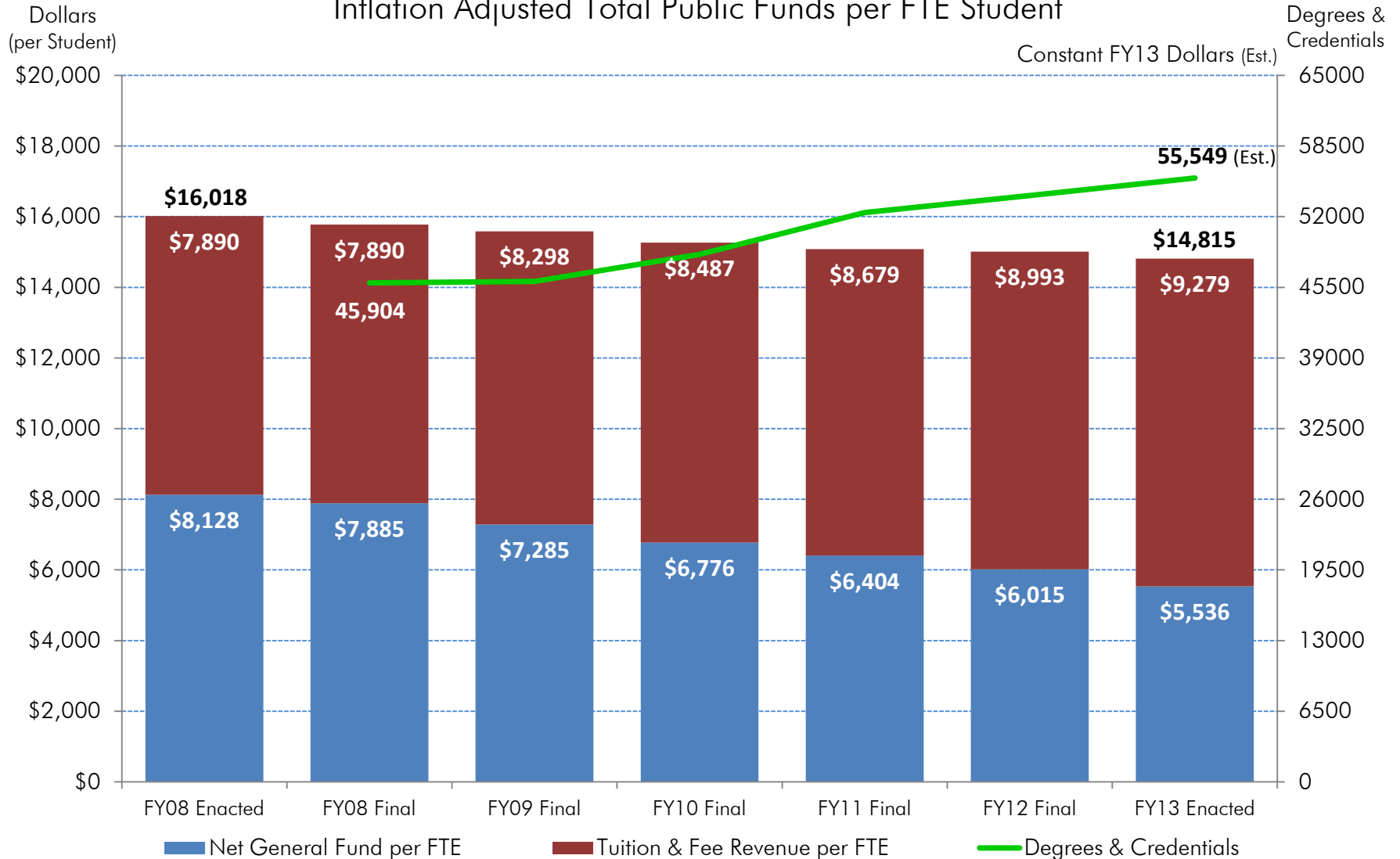
What Has Been the Impact?

Of Declining State Support and Increased Tuition and Fees

- Increases in total public funds have not kept pace with enrollment growth and inflation.
- Kentucky's public postsecondary institutions have not had sufficient resources to cover annual fixed cost increases.
- Students and their families are shouldering an increasing share of college costs.
- Higher tuition and fees, combined with slow growth in family income and an unfunded gap in state need-based aid, have made college less affordable for some students and families.
- Continuing progress toward achieving the goals of HB1 and the Strategic Agenda could be placed at risk.

Kentucky Public Postsecondary System Inflation Adjusted Total Public Funds per FTE Student

Chart 9

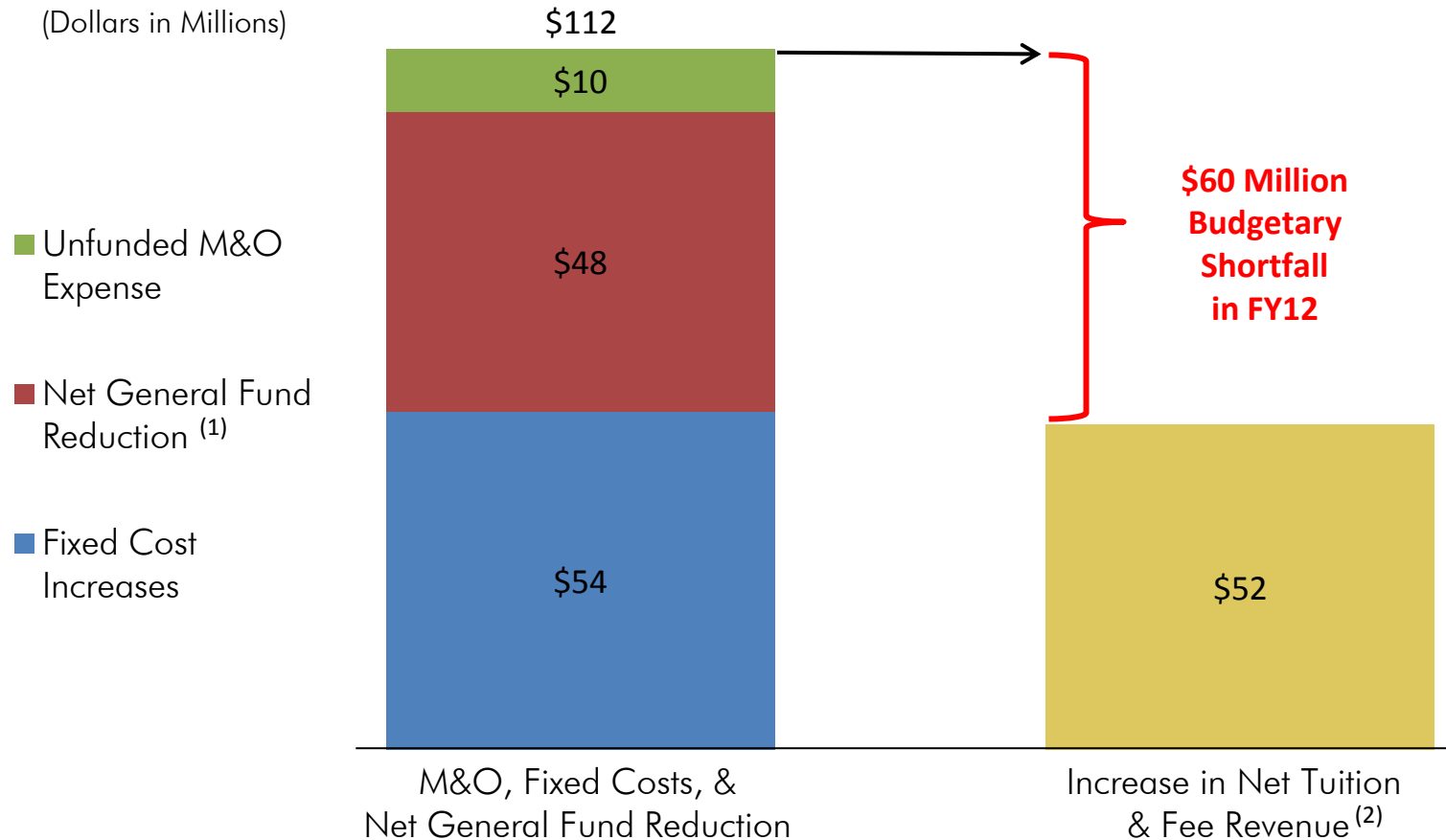


Sources: Kentucky Budget of the Commonwealth; CPE Comprehensive Database; Commonfund Institute, Higher Education Price Index (HEPI).

Assumptions: 2.0% enrollment growth; 1.7% increase in inflation; 7.0% tuition and fee revenue growth; and 3.0 % increase in degrees in FY13.



Kentucky Public Postsecondary System Institutional Operating Funds Budgetary Shortfall Fiscal Year 2011-12



(1) Includes transfer of \$18.9 million from FY12 to FY11 to maintain Kentucky's eligibility for the federal Ed Jobs program.

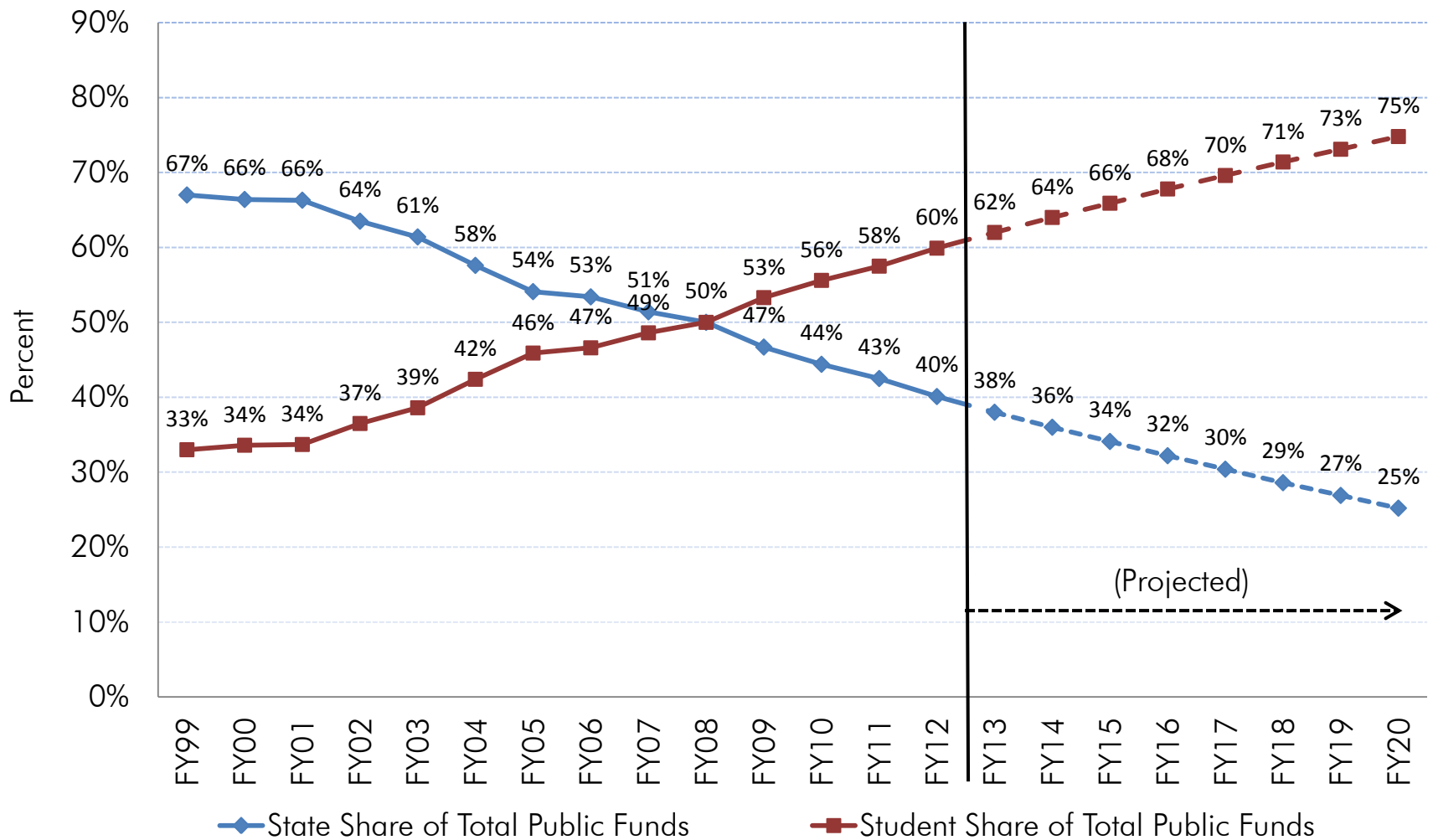
(2) Estimated increase in net tuition and fee revenue given a 4% rate increase at KCTCS, a 5% increase for the comprehensive universities, and a 6% increase for the research institutions. Net tuition and fees is defined as gross tuition and fees minus institutional scholarships and fellowships.

Sources: Kentucky Budget of the Commonwealth; CPE Comprehensive Database.

Kentucky Public Postsecondary System

Change in State & Student Shares of Total Public Funds

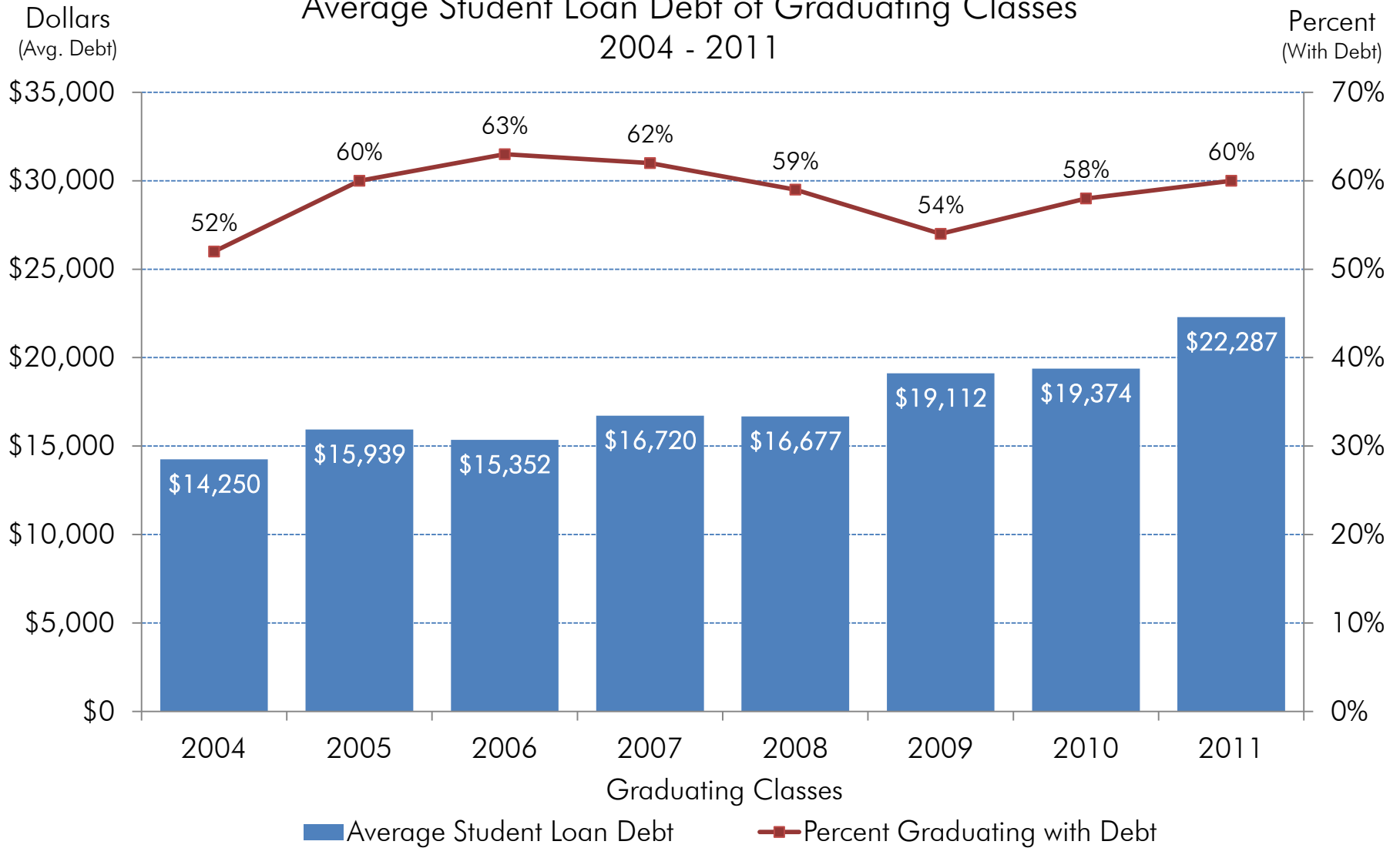
Fiscal Years 1999 - 2020



Sources: Kentucky Budget of the Commonwealth;
CPE Comprehensive Database.

State Share = Net General Fund Appropriations ÷ Total Public Funds
Student Share = Gross Tuition & Fee Revenue ÷ Total Public Funds

Kentucky Public and Private Postsecondary Institution Average Student Loan Debt of Graduating Classes 2004 - 2011



Source: The Project on Student Debt, Annual Survey.

KENTUCKY LEADS THE NATION IN POSTSECONDARY IMPROVEMENT

State Rank in Percent Change (2000 – 2009)

- #1 ➤ Percent of adults 25-64 with college degrees.
- #2 ➤ Percent of adults 25-44 with college degrees.
- #1 ➤ Six-year graduation rates at 4-year Institutions.
- #3 ➤ Three-year graduation rates at 2-Year institutions.
- #5 ➤ Total undergraduate credentials produced.
- #1 ➤ Undergraduate credentials awarded relative to population with no college degree.

Source: National Center for Higher Education Management Systems (NCHEMS), *Realizing Kentucky's Educational Attainment Goal: A Look in the Rear View Mirror and Down the Road Ahead*, September 2011.



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